

Information Request DTE 1-3:

Was the SENDOUT Model used in order to determine the optimal, least-cost supply? If yes, please provide the model's summary. If no, please explain why the SENDOUT Model was not utilized.

Response:

The SENDOUT model was used to identify the resource shortage in the coming years and to determine that the shortage is due to a seasonal inventory shortfall, rather than a transportation capacity shortfall that would manifest in the form of a design day shortfall.

Once the nature of the shortfall was determined, the Company needed to identify an appropriate resource to meet the shortfall depended on pricing and availability of the services required. The Company identified storage services easily accessible via pipelines serving its service territories, particularly to Algonquin. However, the Company confirmed that storage capacity on Tennessee, Texas Eastern and Dominion is and has been fully subscribed. Therefore, the National Fuel storage was the only appropriate resource available to the Company and there were no comparable alternatives for the SENDOUT model to analyze.

Furthermore, analysis of the pricing aspects of the storage service involves straightforward calculations of fixed and variable costs associated with alternative resources. Given the limited range of alternatives available to the Company and their associated prices, it became evident that storage capacity would be the most cost-effective resource without a full SENDOUT optimization run.